

# FINAL BILL REPORT

## SHB 1442

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Synopsis as Enacted

**Brief Description:** Revising provisions for sale of timeshares.

**Sponsors:** By House Committee on Commerce & Labor (originally sponsored by Representatives Wood and Chandler).

**House Committee on Commerce & Labor**  
**Senate Committee on Financial Services, Insurance & Housing**

### **Background:**

Sales of Timeshares. A timeshare interest is a right to occupy a unit of real property during three or more separate periods over a term of at least three years. A timeshare interest reservation is a revocable right to purchase a timeshare interest in a project that has not been completed. A promoter is any person directly or indirectly instrumental in organizing a timeshare offering.

The Department of Licensing, Business and Professions Division (Department) regulates the advertisement and sale of timeshares. That regulation includes: (1) registration with the Department of a timeshare offering prior to advertising or solicitation of a timeshare project; (2) registration with the Department of a timeshare interest reservation prior to the sale of any timeshare interest reservation; and (3) the promoter's disclosure of information necessary to fully inform a prospective purchaser prior to the sale of a timeshare.

Timeshare promoters may sell both timeshare interests and timeshare interest reservations. In order to sell a timeshare interest, the project must be complete, the offering registered with the Department, and the promoter's disclosure filed. In order to sell timeshare interest reservations, the project need not be complete, but the offering must be registered with the Department and the promoter's disclosure filed. Timeshare interests may be sold either as an interest in one specific unit (a fee simple interest), or as an opportunity to use one of several different units during a period of time.

Timeshare Offering Registration. Prior to advertising, offering, or selling a timeshare interest or timeshare interest reservation, the offering must be registered with the Department. The application must disclose detailed information on the project and the cost of the units.

Timeshare Disclosure Document. A disclosure document must be filed with the

timeshare offering registration. In this document, promoters must provide information on their business, their background, the timeshare management, and the sales contract.

Timeshare Interest Reservation. Timeshare promoters may pre-sell a revocable right to purchase a timeshare which has not been completed. A promoter may market and advertise a timeshare project and may accept a reservation deposit from a prospective purchaser for up to 20 percent of the projected purchase price of the timeshare interest.

Prior to offering a timeshare interest reservation, the offering must be registered with the Department and the promoter's disclosure filed. The promoter must provide a registered disclosure document to each prospective purchaser. Once the timeshare project is completed, the promoter must submit an updated registration and disclosure for Department approval.

**Summary:**

Promoters may sell timeshare interests in incomplete projects under certain circumstances. Projects must be completed within two years of the date of purchase. Any incomplete projects offered for sale must be registered with the Department using existing procedures.

Promotional materials for incomplete projects must disclose that the project is still under construction and the last possible estimated date of completion for the project.

Promoters must protect purchasers' funds by posting a bond or depositing the funds into an escrow account. The requirements for escrow accounts are established.

Purchasers may request a full refund if the project is not completed either within two years of purchase or on the estimated date of completion, whichever is earlier. Purchasers may also receive a refund if the completed project is materially and adversely different from what was promised at the time of purchase.

**Notes on Final Passage:**

House 93 0  
Senate 45 0 (Senate amended)  
House 97 0 (House concurred)

**Effective:** July 27, 2003